

**NEWELL-FONDA  
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2010

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**NEWELL-FONDA COMMUNITY SCHOOL DISTRICT**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
<b>(Before September 2009 Election)</b>		
Roger Sarchet	President	2011
Greg Baskerville	Vice President	2009
Lyle Rossiter		2009
Geoff Smith		2011
Kyle Scheidegger		2011

<b>(After September 2009 Election)</b>		
Roger Sarchet	President	2011
Greg Baskerville	Vice President	2013
Lyle Rossiter		2013
Geoff Smith		2011
Kyle Scheidegger		2011

**School Officials**

Jeff Dicks	Superintendent
Marcia Johnson	District Secretary/ Treasurer

# BRUCE D. FRINK

Certified Public Accountant

## Independent Auditor's Report

### Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

### Services:

- Individual, Partnership and Corporate Tax Preparation
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Bank Loan Assistance

### Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

To the Board of Education of  
Newell-Fonda Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities and each major fund of Newell-Fonda Community School District, Newell, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities and each major fund of Newell-Fonda Community School District at June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 1, 2011 on our consideration of Newell-Fonda Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 and 33 through 34 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Newell-Fonda Community School District's basic financial statements. We previously audited in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Bruce D. Frink*

**BRUCE D. FRINK**  
**Certified Public Accountant**

March 1, 2011

## NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS

Newell-Fonda Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

#### 2010 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$4,088,362 in fiscal year 2009 to \$4,133,436 in fiscal year 2010. Expenditures increased from \$3,869,958 in fiscal year 2009 to \$4,022,865 in fiscal year 2010.
- While General Fund district tax rates decreased from 11.06247% in fiscal year 2009 to 10.43411% in fiscal year 2010, and state revenues decreased due to a 10% across the board cut, overall revenues increased slightly mostly due to increased federal funding, specifically the American Recovery and Restoration Act (ARRA). Enrollment numbers remained steady, therefore having no significant effect on revenues for fiscal year 2010.
- Expenditures increased, due largely to regular increased costs for salaries and benefits. Two major factors in the increase included the addition of one full time administrator at the high school level, and the hiring of additional staff to fulfill ARRA requirements and to fill a position formerly filled with services purchased from another district.
- The Management Fund revenues decreased slightly from \$88,474 in fiscal year 2009 to \$85,446 in fiscal year 2010. Management expenditures also decreased from \$98,222 in fiscal year 2009 to \$86,523 in fiscal year 2010. A slight decrease in the property tax rate accounted for the decrease in revenue. On the expenditure side, early retirement costs were decreased significantly in fiscal year 2010.
- Statewide sales, services and use tax revenues decreased from \$302,761 in fiscal year 2009 to \$271,065 in fiscal year 2010. Actual statewide tax expenditures increased dramatically from \$67,160 in fiscal year 2009 to \$1,334,602 in fiscal year 2010. The decrease in revenue was due to lower tax revenues as well as lower interest income. A new building addition was constructed during fiscal year 2010; therefore, the increase in expenditures was due to construction project and instructional equipment costs. The 1:1 laptop lease payments were run through the capital projects fund, but these payments were reported in the debt services fund, and therefore are not included in the total statewide tax expenditures.
- PPEL revenues increased from \$63,027 in fiscal year 2009 to \$154,434 fiscal year 2010. Expenditures increased slightly from \$169,089 in fiscal year 2009 to \$178,992 in fiscal year 2010. Revenues increased due to the levying for voted PPEL money and increased property valuations. Expenditures increased mostly due to construction and instructional equipment costs that began in fiscal year 2010.
- The Nutrition Fund revenues increased, with revenues of \$204,200 in fiscal year 2009 to \$215,223 in fiscal year 2010. Expenditures were fairly steady, from \$212,882 in fiscal year 2009 to \$210,896 in fiscal year 2010.
- Activity Fund receipts increased from \$187,935 in fiscal year 2009 to \$200,078 in fiscal year 2010. Expenditures also increased from \$182,426 in fiscal year 2009 to \$204,381 in fiscal year 2010.

## USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Newell-Fonda Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Newell-Fonda Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Newell-Fonda Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year as well as the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the Student Activity and fiduciary funds as well as a multiyear comparison of revenues and expenses.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**

**Newell-Fonda Community School District Annual Financial Report**

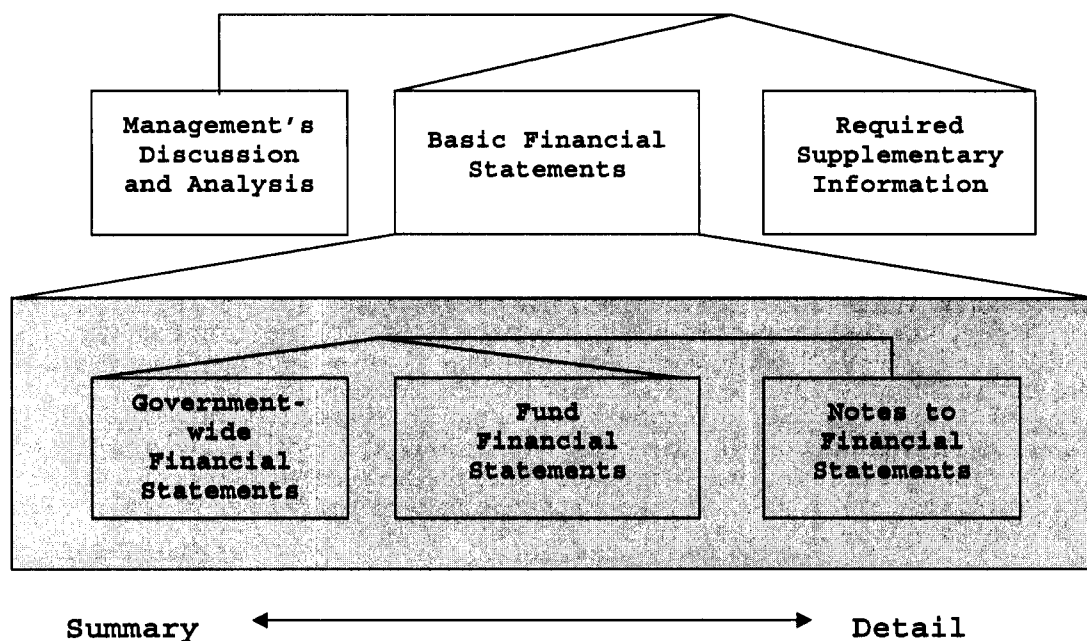


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2</b> <b>Major Features of the Government-wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activity the District operates similar to private businesses: food services	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid



## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating, respectively. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. The District has elected to present all funds as "major" for clarity of presentation.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trusts.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2010 compared to the year ended June 30, 2009.

Figure A-3 Condensed Statement of Net Assets (Expressed in Thousands)							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-2010
Current assets	\$ 3,495	4,987	48	43	3,543	5,030	-29.56%
Capital assets	1,959	496	2	3	1,961	499	292.99%
<b>Total assets</b>	<u>5,454</u>	<u>5,483</u>	<u>50</u>	<u>46</u>	<u>5,504</u>	<u>5,529</u>	<u>-0.45%</u>
Current liabilities	2,272	2,156	-	-	2,272	2,156	5.38%
Non-current liabilities	262	184	-	-	262	184	0.00%
<b>Total liabilities</b>	<u>2,534</u>	<u>2,340</u>	<u>-</u>	<u>-</u>	<u>2,534</u>	<u>2,340</u>	<u>8.29%</u>
Net Assets							
Invested in capital assets, net of related debt	1,722	344	2	3	1,724	347	396.83%
Restricted	397	1,535	-	-	397	1,535	-74.14%
Unrestricted	801	964	48	43	849	1,007	-15.69%
<b>Total net assets</b>	<u>\$ 2,920</u>	<u>2,843</u>	<u>50</u>	<u>46</u>	<u>2,970</u>	<u>2,889</u>	<u>2.80%</u>

The District's combined net assets increased 3%, or approximately \$81,000 from the prior year. This increase was due primarily to an increase in the General Fund.

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements decreased by 16%. This decrease in unrestricted net assets was a result of increased early retirement obligations that will eventually be paid from future Management Fund levies, but are required to be fully included in liabilities in the current year.

Figure A-4 shows the changes in net assets for the year ended June 30, 2010 compared to the year ended June 30, 2009.

Figure A-4							
Changes in Net Assets							
(Expressed in Thousands)							
Governmental Activities		Business Type Activities		Total School District		Total Change	
2010	2009	2010	2009	2010	2009	2009-2010	

Revenues:

Program revenues:

Charges for service and sales	\$ 118	121	105	100	223	221	0.90%
Operating grants, contributions and restricted interest	1,272	913	110	104	1,382	1,017	35.89%

General revenues:

Property tax	1,751	1,661	-	-	1,751	1,661	5.42%
Income surtax	160	128	-	-	160	128	100.00%
Statewide sales, service and use tax	258	274	-	-	258	274	-5.84%
Unrestricted state grants	1,204	1,551	-	-	1,204	1,551	-22.37%
Unrestricted investment earnings	23	23	-	-	23	23	0.00%
Other	71	75	-	-	71	75	-5.33%
Total revenues	<u>4,857</u>	<u>4,746</u>	<u>215</u>	<u>204</u>	<u>5,072</u>	<u>4,950</u>	<u>2.46%</u>

Program expenses:

Governmental activities:

Instruction	3,038	2,836	-	-	3,038	2,836	7.12%
Support services	1,380	1,279	-	-	1,380	1,279	7.90%
Non-instructional programs	-	-	211	213	211	213	-0.94%
Other expenses	<u>363</u>	<u>373</u>	<u>-</u>	<u>-</u>	<u>363</u>	<u>373</u>	<u>-2.68%</u>
Total expenses	<u>4,781</u>	<u>4,488</u>	<u>211</u>	<u>213</u>	<u>4,992</u>	<u>4,701</u>	<u>6.19%</u>

Change in net assets	<u>\$ 76</u>	<u>258</u>	<u>4</u>	<u>(9)</u>	<u>80</u>	<u>249</u>	<u>32.13%</u>
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Property tax and unrestricted state grants account for 58% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 89% of the total expenses.

## Governmental Activities

Revenues for governmental activities were \$4,856,976 and expenses were \$4,781,115 for the year ended June 30, 2010.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses, for the year ended June 30, 2010 compared to the year ended June 30, 2009.

Figure A-5 Total and Net Cost of Governmental Activities (Expressed in Thousands)						
	Total Cost of Services			Net Cost of Services		
	2010	2009	Change 2009-2010	2010	2009	Change 2009-2010
Instruction	\$ 3,038	2,836	7.12%	1,857	2,023	-8.21%
Support services	1,380	1,279	7.90%	1,360	1,249	8.89%
Other expenses	363	373	-2.68%	174	182	-4.40%
Totals	<u>\$ 4,781</u>	<u>4,488</u>	<u>6.53%</u>	<u>3,391</u>	<u>3,454</u>	<u>-1.82%</u>

For the year ending June 30, 2010:

- The cost financed by users of the District's programs was \$118,116.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$840,640.
- The net cost of governmental activities was financed with \$1,751,321 in property and other taxes and \$1,204,455 in unrestricted state grants.

## Business Type Activities

Revenues for School Nutrition were \$215,223 and expenses were \$210,896. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2010, the District once again increased meal prices from the previous year to assist the food services program in maintaining high quality services to students while taking on additional costs for groceries and supplies.

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As previously noted, Newell-Fonda Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$1,251,845, a fifty-one percent decrease from last year's ending fund balances of \$2,431,917. The Capital Projects Fund was used to build an addition to the Newell building. The entire project will be completed without issuing any debt.

## **Governmental Fund Highlights**

- General Fund revenues increased from \$4,088,362 in fiscal year 2009 to \$4,133,436 in fiscal year 2010. Expenditures increased from \$3,869,958 in fiscal year 2009 to \$4,022,865 in fiscal year 2010.
- While General Fund district tax rates decreased from 11.06247% in fiscal year 2009 to 10.43411% in fiscal year 2010, and state revenues decreased due to a 10% across the board cut, overall revenues increased slightly mostly due to increased federal funding, specifically the American Recovery and Restoration Act (ARRA). Enrollment numbers remained steady, therefore having no significant effect on revenues for fiscal year 2010.
- Expenditures increased, due largely to regular increased costs for salaries and benefits. Two major factors in the increase included the addition of one full time administrator at the high school level, and the hiring of additional staff to fulfill ARRA requirements and to fill a position formerly filled with services purchased from another district.
- The Management Fund revenues decreased slightly from \$88,474 in fiscal year 2009 to \$85,446 in fiscal year 2010. Management expenditures also decreased from \$98,222 in fiscal year 2009 to \$86,523 in fiscal year 2010. A slight decrease in the property tax rate accounted for the decrease in revenue. On the expenditure side, early retirement costs were decreased significantly in fiscal year 2010.
- Statewide sales, services and use tax revenues decreased from \$302,761 in fiscal year 2009 to \$271,065 in fiscal year 2010. Actual statewide tax expenditures increased dramatically from \$67,160 in fiscal year 2009 to \$1,334,602 in fiscal year 2010. The decrease in revenue was due to lower tax revenues as well as lower interest income. A new building addition was constructed during fiscal year 2010; therefore, the increase in expenditures was due to construction project and instructional equipment costs. The 1:1 laptop lease payments were run through the capital projects fund, but these payments were reported in the debt services fund, and therefore are not included in the total statewide tax expenditures.
- PPEL revenues increased from \$63,027 in fiscal year 2009 to \$154,434 fiscal year 2010. Expenditures increased slightly from \$169,089 in fiscal year 2009 to \$178,992 in fiscal year 2010. Revenues increased due to the levying for voted PPEL money. Expenditures increased mostly due to construction and instructional equipment costs that began in fiscal year 2010.
- Activity Fund receipts increased from \$187,935 in fiscal year 2009 to \$200,078 in fiscal year 2010. Expenditures also increased from \$182,426 in fiscal year 2009 to \$204,381 in fiscal year 2010.

## **Proprietary Fund Highlights**

The Nutrition Fund revenues increased, with revenues of \$204,200 in fiscal year 2009 to \$215,223 in fiscal year 2010. Expenditures were fairly steady, from \$212,882 in fiscal year 2009 to \$210,896 in fiscal year 2010.

## **BUDGETARY HIGHLIGHTS**

The District's receipts were \$223,279 less than budgeted receipts, a variance of 4%. The most significant variance resulted from the District receiving less state aid than anticipated for the second consecutive year.

Total expenditures were \$1,460,230 less than budgeted overall, due primarily to the District's budget in all areas. Expenditures did not exceed the amounts budgeted in any of the four functions. The District did not exceed its unspent authorized budget.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2010, the District had invested \$1,961,221, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 1.4 million from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$169,348.

The original cost of the District's capital assets was \$3,613,827. Governmental funds account for \$3,588,314, with the remainder of \$25,513 accounted for in the Proprietary School Nutrition Fund.

Figure A-6 Capital Assets, net of Depreciation (Expressed in Thousands)							
Governmental Activities		Business Type Activities		Total District		Total Change	
June 30,		June 30,		June 30,		June 30,	
2010	2009	2010	2009	2010	2009	2009-2010	
Land	\$ 2	2	-	-	2	2	0.00%
Buildings	1,564	202	-	-	1,564	202	674.26%
Furniture and equipment	393	292	2	3	395	295	33.90%
Totals	<u>\$ 1,959</u>	<u>496</u>	<u>2</u>	<u>3</u>	<u>1,961</u>	<u>499</u>	<u>292.99%</u>

### Long-Term Debt

The District has three semi-annual payments of \$32,258 each remaining on the lease purchase of 165 laptop computers purchased in 2008. In 2010, the District purchased additional laptops that will require eight semi-Annual payments of \$20,000 each.

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

- The District is working through the transition process of grade realignment. A construction project is underway that should be completed for the beginning of the 2010-2011 school year. At that time, the Fonda center will be closed and grades 4-8 will be moved to the Newell center. This change should result in considerable savings of general fund dollars as duplicate services are reduced and staff can be used more efficiently. Transportation expenses between buildings should also be reduced. However, it should be noted that there are additional costs for the transition process, including increased labor costs for maintenance staff, professional development costs for orientation of staff, and certain instructional equipment and supply costs to furnish the new facility.
- The District has once again offered employees early retirement benefits at the end of 2009-2010, resulting in additional savings in the general fund. In addition to the early retirement costs being paid out of the management fund, the goal would be to either not replace retiring staff, or to replace them with less costly employees.
- The District received the preschool grant in 2009-10, allowing preschool expenditures to be fully funded. In 2010-11, preschool funding will be a part of the state aid revenues.

- In fiscal year 2010, the State of Iowa enforced a 10% across the board cut in state aid funding. However, federal American Recovery and Restoration Act (ARRA) funding helped backfill the cuts, as well as supplementing and expanding special education, Title I, and professional development programs. The District is aware of the potential "funding cliff" that could occur when these funds are gone in 2011, and is striving to manage this program wisely.
- Enrollment numbers did not change from 2008-09 to 2009-10, so funding for fiscal year 2011 should be stable. The open enrollment ratio moved from a negative net number of students to an even number of students in and out. The District is encouraged by this enrollment trend, and as the District looks ahead to the future, the enrollment trend looks to be positive, which will increase future state aid.
- In fiscal year 2011, enrollment numbers are predicted to increase significantly, resulting in increased staffing needs. In addition, staff needs for ARRA, ELL, technology and special education services will remain at a higher level than in previous years. These staffing needs will cause salary and benefit costs to increase. While this increases expenditures, it is a necessary change in order to provide valuable services to our students.
- In 2010-2011, the 1:1 Apple laptop initiative will be expanded to include grades 5-8. The educational benefits of this far outweigh the cost factor.
- Tax valuations have increased, and further increases are anticipated as wind generators expand in our area. This trend should continue for the next four years, which is the duration of the tax abatement. This is a positive, long-term increase to our tax base.
- In 2009-2010 the State's allowable growth rate was inadequate to meet normal increases in salaries and benefits. As the District looks ahead to the future, there will be an increased cost in IPERS due to rate increases. In addition, the State of Iowa's 10% across the board cut during fiscal year 2010 left a funding shortfall; however, the American Recovery and Restoration Act of 2009 will help to backfill a portion of the shortfall. There is uncertainty in the state budget which makes accurate predictions for the future somewhat difficult. The District will strive to adjust as new budget numbers are known. It is anticipated that adjustments in District personnel due to future grade realignment into one building will help counteract any budget shortfall that may occur.

#### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Marcia Johnson, District Secretary/Treasurer, Newell-Fonda Community School District, 205 Clark Street, Newell, Iowa 50568.

## Basic Financial Statements



## NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2010

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 1,310,881	44,840	1,355,721
Receivables:			
Property tax:			
Current year	22,617	-	22,617
Succeeding year	1,919,316	-	1,919,316
Income surtax	111,961	-	111,961
Due from other governments	121,306	-	121,306
Other receivables	1,831	393	2,224
Accrued interest receivable	7,020	-	7,020
Inventories	-	2,685	2,685
Capital assets, net of accumulated depreciation	1,959,121	2,100	1,961,221
<b>Total assets</b>	<b>5,454,053</b>	<b>50,018</b>	<b>5,504,071</b>
<b>Liabilities</b>			
Accounts payable	168,200	-	168,200
Deferred revenue:			
Succeeding year property tax	1,919,316	-	1,919,316
Federal programs	43,610	-	43,610
Long-term liabilities:			
Portion due within one year:			
Early retirement	70,139	-	70,139
Capital lease	95,051	-	95,051
Portion due after one year:			
Early retirement	96,566	-	96,566
Capital lease	141,797	-	141,797
<b>Total liabilities</b>	<b>2,534,679</b>	<b>-</b>	<b>2,534,679</b>
<b>Net assets</b>			
Invested in capital assets	1,722,273	2,100	1,724,373
Restricted for:			
Management levy	61,768	-	61,768
Physical plant and equipment levy	277,727	-	277,727
Capital projects	(83,331)	-	(83,331)
Categorical funding	139,948	-	139,948
Unrestricted	800,989	47,918	848,907
<b>Total net assets</b>	<b>\$ 2,919,374</b>	<b>50,018</b>	<b>2,969,392</b>

See notes to financial statements.

## NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

## Statement of Activities

Year ended June 30, 2010

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Operating Grants, Contributions and Restricted Interest					
	Expenses	Charges for Service		Governmental Activities	Business Type Activities	Total
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction	\$ 3,037,900	118,116	1,062,572	(1,857,212)	-	(1,857,212)
Support services:						
Student services	90,417	-	-	(90,417)	-	(90,417)
Instructional staff services	251,022	-	-	(251,022)	-	(251,022)
Administration services	494,241	-	-	(494,241)	-	(494,241)
Operation and maintenance of plant services	319,337	-	19,768	(299,569)	-	(299,569)
Transportation services	224,837	-	-	(224,837)	-	(224,837)
	1,379,854	-	19,768	(1,360,086)	-	(1,360,086)
Other expenditures:						
AEA flowthrough	175,916	-	175,916	-	-	-
Interest on long-term debt	5,737	-	-	(5,737)	-	(5,737)
Facilities acquisition and construction	132,651	-	13,374	(119,277)	-	(119,277)
Depreciation (unallocated)*	49,057	-	-	(49,057)	-	(49,057)
	363,361	-	189,290	(174,071)	-	(174,071)
Total governmental activities	4,781,115	118,116	1,271,630	(3,391,369)	-	(3,391,369)

NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2010

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Business type activities:					
Non-instructional programs:					
Proprietary funds	211,389	105,477	109,748	-	3,836
					3,836
Total	\$ 4,992,504	223,593	1,381,378	(3,391,369)	(3,387,533)
<b>General Revenues:</b>					
Property tax levied for:					
General purposes			\$ 1,531,209	-	1,531,209
Management			73,005	-	73,005
Capital outlay			147,107	-	147,107
Income surtax			159,869	-	159,869
Statewide sales, services and use tax			257,690	-	257,690
Unrestricted state grants			1,204,455	-	1,204,455
Unrestricted investment earnings			23,040	-	23,040
Other			70,855	-	70,855
Total general revenues			3,467,230	-	3,467,230
Change in net assets			75,861	3,836	79,697
Net assets beginning of year			2,843,513	46,182	2,889,695
Net assets end of year			\$ 2,919,374	50,018	2,969,392

\* This amount excludes the depreciation that is included in the direct expenses of the various programs.

See notes to financial statements.

## NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2010

	<b>Assets</b>							
	General	Student Activity	Management Levy	Property Plant and Equipment Levy	Capital Projects	Total		
Cash and pooled investments	\$ 855,821	105,923	62,231	275,042	11,864	1,310,881		
Receivables:								
Property tax:								
Current year	18,494	-	1,438	2,685	-	22,617		
Succeeding year	1,631,834	-	135,000	152,482	-	1,919,316		
Income surtax	111,961	-	-	-	-	111,961		
Due from other governments	83,850	-	-	-	37,456	121,306		
Other receivables	1,831	-	-	-	-	1,831		
Accrued interest receivable	7,020	-	-	-	-	7,020		
<b>Total assets</b>	<b>\$ 2,710,811</b>	<b>105,923</b>	<b>198,669</b>	<b>430,209</b>	<b>49,320</b>	<b>3,494,932</b>		
<b>Liabilities and Fund Balance</b>								
Liabilities:								
Accounts payable	\$ 33,648	-	1,901	-	132,651	168,200		
Deferred revenue:								
Succeeding year property tax	1,631,834	-	135,000	152,482	-	1,919,316		
Succeeding year income surtax	111,961	-	-	-	-	111,961		
Federal programs	43,610	-	-	-	-	43,610		
Total liabilities	1,821,053	-	136,901	152,482	132,651	2,243,087		
Fund balances:								
Reserved for:								
Capital projects	-	-	-	-	(83,331)	(83,331)		
Categorical funding	139,948	-	-	-	-	139,948		
Unreserved, reported in:								
Special revenue funds	-	105,923	61,768	277,727	-	445,418		
General fund	749,810	-	-	-	-	749,810		
Total fund balances	889,758	105,923	61,768	277,727	(83,331)	1,251,845		
<b>Total liabilities and fund balances</b>	<b>\$ 2,710,811</b>	<b>105,923</b>	<b>198,669</b>	<b>430,209</b>	<b>49,320</b>	<b>3,494,932</b>		

See notes to financial statements.

## NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Assets

June 30, 2010

Total fund balances of governmental funds (Exhibit C)	\$ 1,251,845
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*Amounts reported for governmental activities in the Statement of  
Net Assets are different because:*

Income surtax receivable at June 30, 2010 is not recognized as income until received in the governmental funds, however it is shown as a revenue in the Statement of Activities.	111,961
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. assets in the governmental funds.	1,959,121
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Long-term liabilities, including compensated absences and early retirement, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.

Early retirement	\$ (166,705)	
Capital lease	(236,848)	(403,553)

Net assets of governmental activities (Exhibit A)	<u>\$ 2,919,374</u>
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## NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds

Year ended June 30, 2010

	General	Student Activity	Management Levy	Property Plant and Equipment Levy	Capital Projects	Debt Service	Total
Revenues:							
Local sources:							
Local tax	\$ 1,678,560	-	73,005	147,107	257,690	-	2,156,362
Tuition	118,116	-	-	-	-	-	118,116
Other	115,880	200,078	12,397	7,240	13,374	-	348,969
State sources	1,794,836	-	44	87	-	-	1,794,967
Federal sources	426,044	-	-	-	-	-	426,044
Total revenues	4,133,436	200,078	85,446	154,434	271,064	-	4,844,458
Expenditures:							
Current:							
Instruction	2,664,878	204,381	18,660	15,213	-	-	2,903,132
Support services:							
Student services	90,417	-	-	-	-	-	90,417
Instructional staff services	154,883	-	-	4,999	-	-	159,882
Administration services	470,502	-	23,739	-	-	-	494,241
Operation and maintenance of plant services	281,935	-	32,280	5,122	-	-	319,337
Transportation services	184,334	-	11,844	80,155	-	-	276,333
	1,182,071	-	67,863	90,276	-	-	1,340,210
Other expenditures:							
AEA flowthrough	175,916	-	-	-	-	-	175,916
Long term debt:							
Principal	-	-	-	-	-	58,779	58,779
Interest	-	-	-	-	-	5,737	5,737
Facilities acquisition and construction	-	-	-	73,503	1,467,253	-	1,540,756
	175,916	-	-	73,503	1,467,253	64,516	1,781,188
Total expenditures	4,022,865	204,381	86,523	178,992	1,467,253	64,516	6,024,530

NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds

Year ended June 30, 2010

	General	Student Activity	Management Levy	Property Plant and Equipment Levy	Capital Projects	Debt Service	Total
Excess (deficiency) of revenues over (under) expenditures	110,571	(4,303)	(1,077)	(24,558)	(1,196,189)	(64,516)	(1,180,072)
Other financing sources(uses):							
Operating transfers in	-	-	-	-	-	64,516	64,516
Operating transfers (out)	-	-	-	-	(64,516)	-	(64,516)
	-	-	-	-	(64,516)	64,516	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	110,571	(4,303)	(1,077)	(24,558)	(1,260,705)	-	(1,180,072)
Fund balances beginning of year	779,187	110,226	62,845	302,285	1,177,374	-	2,431,917
Fund balances end of year	\$ 889,758	105,923	61,768	277,727	(83,331)	-	1,251,845

See notes to financial statements.

## NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds  
to the Statement of Activities

Year ended June 30, 2010

Net change in fund balances - total governmental funds (Exhibit E) \$ (1,180,072)

**Amounts reported for governmental activities in the Statement of Activities  
are different because:**

Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities this represents the change from FY09 to FY10.

12,518

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year as follows:

Expenditures for capital assets	\$ 1,632,247	
Depreciation expense	<u>(168,856)</u>	1,463,391

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayments of long-term liabilities is an expenditure in the government funds, but the repayments reduces long-term liabilities in the Statement of Net Assets.

Additions	(143,987)	
Payments	<u>58,779</u>	<u>(85,208)</u>

Early retirement expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Additions	(152,663)	
Payments	<u>17,895</u>	<u>(134,768)</u>

Change in net assets of governmental activities (Exhibit B) \$ 75,861



## NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Fund

Year ended June 30, 2010

	<u>School Nutrition</u>
Operating revenue:	
Local sources:	
Charges for services	\$ 105,477
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	83,579
Benefits	11,934
Services	1,723
Supplies	113,661
Depreciation	492
Total operating expenses	<u>211,389</u>
Operating (loss)	<u>(105,912)</u>
Non-operating revenues:	
Local sources	998
State sources	2,407
Federal sources	<u>106,343</u>
	<u>109,748</u>
Change in fund net assets	3,836
Net assets beginning of year	<u>46,182</u>
Net assets end of year	<u><u>\$ 50,018</u></u>

See notes to financial statements.

## NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Fund

Year ended June 30, 2010

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of services	\$ 105,484
Cash payments to employees for services	(95,513)
Cash payments to suppliers for goods or services	(104,151)
Net cash provided by (used by) operating activities	<u>(94,180)</u>
Cash flows from non-capital financing activities:	
State grants received	2,407
Federal grants received	95,110
Net cash provided by non-capital financing activities	<u>97,517</u>
Cash flows from investing activities:	
Interest on investments	<u>998</u>
Net increase in cash and cash equivalents	4,335
Cash and cash equivalents beginning of year	<u>40,505</u>
Cash and cash equivalents end of year	<u>\$ 44,840</u>
<b>Reconciliation of operating (loss) to net cash (used by) operating activities:</b>	
Operating (loss)	(105,912)
Adjustments to reconcile operating (loss) to net cash (used by) operating activities:	
Depreciation	492
Commodities used	11,233
Decrease in other receivables	7
	<u>\$ (94,180)</u>
<b>Non-cash investing, capital and financing activities:</b>	

During the year ended June 30, 2010, the District received federal commodities valued at \$11,233.

## NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets  
Fiduciary Funds

June 30, 2010

	Private Purpose <u>Trust Funds</u>
<b>Assets</b>	
Cash	\$ <u>393,108</u>
<b>Total assets</b>	<u>393,108</u>
<b>Net assets</b>	
Reserved for scholarships	\$ <u>393,108</u>

See notes to financial statements.

## NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds

Year ended June 30, 2010

	Private Purpose Trust <u>Scholarship</u>
Additions:	
Local sources:	
Miscellaneous	\$ 9,037
Total additions	<u>9,037</u>
Deductions:	
Support services:	
Scholarships	<u>9,188</u>
Total deductions	<u>9,188</u>
Change in net assets	(151)
Net assets beginning of year	<u>393,259</u>
Net assets end of year	<u>\$ 393,108</u>

See notes to financial statements.

# NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2010

### (1) Summary of Significant Accounting Policies

Newell-Fonda Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors summer recreational activities. The geographic area served includes the Cities of Newell and Fonda, Iowa, and agricultural area in Buena Vista, Sac, Pocahontas and Calhoun Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

#### A. Reporting Entity

For financial reporting purposes, Newell-Fonda Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Newell-Fonda Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Buena Vista and Pocahontas Counties Assessor Conference Boards.

#### B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets*, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributable to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues. The District has elected to treat all funds as major funds for clarity of presentation.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The District has elected to present all funds as major funds for clarity of presentation

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Student Activity Fund is used to account for extra curricular activities conducted on behalf of the students.

The Management Levy Fund is utilized for the payment of insurance, unemployment and early retirement benefits.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Physical Plant and Equipment Levy is used to account for the purchase of equipment and the repairing, remodeling and construction of buildings and land improvements.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used for scholarship awards.

#### C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year become effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2009.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 1,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	10,000
Other furniture and equipment	10,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and unspent grant proceeds.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2010.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or legally restricted by outside parties for use for a specific purpose.



Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, expenditures did not exceed the amount budgeted in any of the four functions. The District did not exceed its General Fund unspent authorized budget.

#### (2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2010.

#### (3) **Capital Assets**

Capital assets activity for the year ended June 30, 2010 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 2,000	-	-	2,000
Capital assets being depreciated:				
Buildings	1,006,000	1,408,105	-	2,414,105
Furniture and Equipment	948,067	224,142	-	1,172,209
Total capital assets being depreciated	1,954,067	1,632,247	-	3,586,314
Less accumulated depreciation for:				
Buildings	804,400	45,962	-	850,362
Furniture and Equipment	655,937	122,894	-	778,831
Total accumulated depreciation	1,460,337	168,856	-	1,629,193
Total capital assets being depreciated, net	493,730	1,463,391	-	1,957,121
Governmental activities, capital assets, net	\$ 495,730	1,463,391	-	1,959,121

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Business type activities:</b>				
Furniture and equipment	\$ 25,513	-	-	25,513
Less accumulated depreciation	22,921	492	-	23,413
Business type activities capital assets, net	<u>\$ 2,592</u>	<u>(492)</u>	<u>-</u>	<u>2,100</u>

Depreciation expense was charged to the following functions:

Governmental activities:

Instructional support	\$ 91,140
Transportation services	28,659
Unallocated	49,057
	<u>\$ 168,856</u>

Business type activities:

Food service operations	<u>\$ 492</u>
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#### (4) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.30% of their annual salary and the District is required to contribute 6.65% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$188,645, \$135,732 and \$136,317 respectively, equal to the required contributions for each year.

#### (5) Risk Management

Newell-Fonda Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

#### (6) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$175,916 for year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

#### (7) Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-nine and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive is equal to the difference between the employee's base salaries calculated by using the current year regular salary schedule less the beginning base salary using the same schedule. Early retirement benefits paid during the year ended June 30, 2010 totaled \$19,518.

(8) **Commitment**

The District has entered into contracts totaling \$1,671,542 for the construction of an addition to the Newell building. As of June 30, 2010, costs of \$1,416,189 had been incurred against the contract. The balance of \$255,353 remaining at June 30, 2010 will be paid as work on the project progresses.

(9) **Long-Term Debt**

In fiscal year 2008, the District entered into a four year lease purchase with Apple Inc. for the acquisition of 165 laptop computers. Payments of \$32,257.93 are made every six months. In fiscal year 2010, the District entered into a four year lease purchase with Apple Inc. for the acquisition of laptop computers. Payments of \$20,000 semiannually are required.

Details at June 30, 2010 are as follows:

Year Ending June 30,	2008 Lease			2010 Lease			
	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest	Total
2011	4.19%	\$61,264	3,252	4.98%	\$ 33,787	6,213	104,516
2012	4.19	31,597	661	4.98	34,942	5,058	72,258
2013		-	-	4.98	36,704	3,296	40,000
2014		-	-	4.98	38,554	1,446	40,000
Total		<u>\$92,861</u>	<u>3,913</u>		<u>\$143,987</u>	<u>16,013</u>	<u>256,774</u>

A summary of changes in long-term debt for the year ended June 30, 2010 is as follows:

	Balance Beginning Year	Additions	Reductions	Balance End of Year
Lease Payable	\$151,640	143,987	58,779	236,848
Early Retirement	<u>31,937</u>	<u>152,663</u>	<u>17,895</u>	<u>166,705</u>
Total	<u>\$183,577</u>	<u>296,650</u>	<u>76,674</u>	<u>403,553</u>

(10) **Component Unit**

The Newell-Fonda Educational Foundation was formed during 2009. Financial activities of the Foundation will be included in future reports as money begins to be collected and spent.

(11) **Other Postemployment Benefits (OPEB)**

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 75 active and 9 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which result in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefits plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 40,000
Interest on net OPEB Obligation	-
Adjustment to annual required contribution	-
Annual OPEB Cost	40,000
Contributions made	(40,000)
Increase in net OPEB obligation	-
Net OPEB obligation beginning of year	-
Net OPEB obligation end of year	\$ -

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the District contributed \$41,000 to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$40,000	100.00%	\$ -

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$434,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$434,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,717,000 and the ratio of the UAAL to covered payroll was 16.0%. As of June 30, 2010, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress presented as Required Supplementary Information, in the section following the Notes to Financial Statements, present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions includes a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduce 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed using table 1 in GASB 45 paragraph 35(b).

Projected claim costs of the medical plan are \$773 per month for retirees less than age 65. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

## Required Supplementary Information

**NEWELL-FONDA COMMUNITY SCHOOL DISTRICT**

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances -  
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2010

	Governmental Fund Types	Proprietary Fund Type	Total Actual	Budgeted Amounts Original	Final	Final to Actual Variance
Revenues:						
Local sources	\$ 2,623,447	106,475	2,729,922	2,723,106	2,723,106	6,816
State sources	1,794,967	2,407	1,797,374	2,214,756	2,214,756	(417,382)
Federal sources	426,044	106,343	532,387	345,100	345,100	187,287
Total revenues	<u>4,844,458</u>	<u>215,225</u>	<u>5,059,683</u>	<u>5,282,962</u>	<u>5,282,962</u>	<u>(223,279)</u>
Expenditures/Expenses:						
Instruction	2,903,132	-	2,903,132	3,745,711	3,745,711	842,579
Support services	1,340,210	-	1,340,210	1,670,552	1,670,552	330,342
Non-instructional programs	-	211,389	211,389	258,494	258,494	47,105
Other expenditures	1,781,188	-	1,781,188	2,021,392	2,021,392	240,204
Total expenditures/expenses	<u>6,024,530</u>	<u>211,389</u>	<u>6,235,919</u>	<u>7,696,149</u>	<u>7,696,149</u>	<u>1,460,230</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(1,180,072)	3,836	(1,176,236)	(2,413,187)	(2,413,187)	1,236,951
Other financing sources (uses)	-	-	-	64,516	64,516	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses and other financing uses	(1,180,072)	3,836	(1,176,236)	(2,348,671)	(2,348,671)	1,236,951
Balance beginning of year	<u>2,431,917</u>	<u>46,182</u>	<u>2,478,099</u>	<u>2,418,357</u>	<u>2,418,357</u>	<u>59,742</u>
Balance end of year	<u>\$ 1,251,845</u>	<u>50,018</u>	<u>1,301,863</u>	<u>69,686</u>	<u>69,686</u>	<u>1,296,693</u>

See accompanying independent auditor's report.

**NEWELL-FONDA COMMUNITY SCHOOL DISTRICT**

**Note to Required Supplementary Information - Budgetary Reporting**

**Year ended June 30, 2010**

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2010, expenditures did not exceed the amount budgeted in any of the four functions. The District did not exceed the General Fund unspent authorized budget.



NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the  
Retiree Health Plan  
(In Thousands)

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ( (b-a) /c)
2010	Jul 1, 2009	\$0	\$434	\$434	0.0%	\$2,717	16.0%

See Note 11 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost and net OPEB obligation, funded status and funding progress.

Other Supplementary Information

## NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2010

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Boys Basketball	8,403	4,654	4,606	8,451
Football	-	8,309	8,309	-
Baseball	-	4,293	4,293	-
Co-ed Track	-	4,247	4,247	-
Co-ed Golf	-	834	834	-
Girls Basketball	7,919	6,276	6,193	8,002
Volleyball	-	3,426	3,426	-
Softball	-	8,346	8,346	-
General Athletics	14,346	13,337	16,806	10,877
Cheerleaders	8,606	8,963	7,902	9,667
Drill Team	3,377	8,692	8,426	3,643
Tech Club	-	1,120	1,120	-
National Honor Society	1,364	6,660	4,192	3,832
All School Play	2,165	1,008	945	2,228
Speech	1,239	1,113	1,603	749
Foreign Language Club	478	-	-	478
MS TA - Nielsen	3,222	17,923	13,939	7,206
Student Council	6,471	7,752	7,468	6,755
FCS	2,051	155	292	1,914
FFA	3,014	12,208	12,712	2,510
MS School Play	27	-	-	27
After Prom	116	6,020	5,719	417
Girls Basketball Fund Raiser	3,338	8,428	6,551	5,215
Boys Basketball Fund Raiser	662	1,170	792	1,040
Football Fund Raiser	1,507	9,647	10,002	1,152
Baseball Fund Raiser	5,352	4,221	9,415	158
Volleyball Fund Raiser	701	2,535	3,078	158
Softball Fund Raiser	5,123	13,331	15,079	3,375
Boys Track Fund Raiser	-	306	306	-
Girls Track Fund Raiser	26	688	692	22
Boys Golf Fund Raiser	37	1,894	1,819	112
Girls Golf Fund Raiser	-	395	395	-
Class of 2011	3,861	1,458	3,945	1,374
Class of 2012	3,043	-	-	3,043
Class of 2009	206	-	-	206
Class of 2010	1,846	132	1,659	319
Class of 2013	-	4,629	2,680	1,949
Art	859	491	134	1,216
Shop	1,132	-	-	1,132
MS Music	-	57	54	3
Elementary PTF Funds	3,765	1,197	815	4,147
State Basketball Tourney Expense	2,077	8,435	10,512	-
Library	571	855	773	653
Postage	97	-	-	97
General Activity	-	2,021	1,683	338
Yearbook 09	4,273	330	4,588	15
Yearbook 10	-	11,523	7,781	3,742
Interest	8,952	999	250	9,701
Totals	110,226	200,078	204,381	105,923

See accompanying independent auditor's report.

## NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

## Combining Schedule of Fiduciary Net Assets

Year ended June 30, 2010

	Private Purpose Trust Funds		Total
	Cecil Rogers Scholarship	Don Anderson Trust	
<b>Assets</b>			
Cash	\$ 6,490	386,618	393,108
	<u>\$ 6,490</u>	<u>386,618</u>	<u>393,108</u>
<b>Net Assets</b>			
Reserved for scholarships	\$ 6,490	386,618	393,108
	<u>\$ 6,490</u>	<u>386,618</u>	<u>393,108</u>

See accompanying independent auditor's report.

## NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

## Combining Schedule of Changes in Fiduciary Net Assets

Year ended June 30, 2010

	Private Purpose Trust Funds		Total
	Cecil Rogers Scholarship	Don Anderson Trust	
Additions:			
Local sources:			
Interest income	\$ 54	8,983	9,037
Deductions:			
Support services:			
Scholarships awarded	-	9,188	9,188
Change in net assets	54	(205)	(151)
Net assets beginning of year	6,436	386,823	393,259
Net assets end of year	\$ 6,490	386,618	393,108

See accompanying independent auditor's report.

## NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function  
All Governmental Funds

For the Last Seven Years

	Modified Accrual Basis						
	2010	2009	2008	2007	2006	2005	2004
<b>Revenues:</b>							
Local sources:							
Local tax	\$2,156,362	\$2,047,959	1,748,576	1,625,426	1,422,156	1,349,135	1,447,498
Tuition	118,116	101,302	107,348	77,647	67,130	69,206	75,455
Other	348,969	364,771	411,148	432,721	351,589	268,811	370,917
State sources	1,794,967	2,035,299	2,229,917	2,003,601	2,113,281	1,654,735	1,600,299
Federal sources	426,044	181,228	152,205	148,347	150,162	146,638	162,419
<b>Total</b>	<b>\$4,844,458</b>	<b>\$4,730,559</b>	<b>4,649,194</b>	<b>4,287,742</b>	<b>4,104,318</b>	<b>3,488,525</b>	<b>3,656,588</b>
<b>Expenditures:</b>							
Instruction	\$2,903,132	\$2,819,448	2,962,072	2,647,909	2,617,889	2,488,717	2,270,536
Support services:							
Student	90,417	83,268	96,602	71,298	74,057	71,142	90,776
Instructional staff	159,882	165,638	141,894	136,196	118,446	102,411	124,862
Administration	494,241	387,843	394,494	442,524	437,461	404,889	383,365
Operation and maintenance of plant	319,337	342,234	337,281	338,531	382,039	388,787	416,362
Transportation	276,333	250,916	216,805	229,711	275,661	268,411	181,539
Other expenditures:							
Facilities acquisition	1,540,756	175,241	89,479	57,465	30,629	8,071	6,252
Debt service:							
Principal	58,779	56,394	30,566	-	-	-	-
Interest	5,737	8,122	1,692	-	-	-	-
AEA flowthrough	175,916	162,268	160,842	153,999	151,340	135,465	138,167
<b>Total</b>	<b>\$6,024,530</b>	<b>\$4,451,372</b>	<b>4,431,727</b>	<b>4,077,633</b>	<b>4,087,522</b>	<b>3,867,893</b>	<b>3,611,859</b>

# BRUCE D. FRINK

Certified Public Accountant

## Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

## Services:

- Individual, Partnership and Corporate Tax Preparation
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Bank Loan Assistance

## Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards

To the Board of Education of the  
Newell-Fonda Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Newell-Fonda Community School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 1, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Newell-Fonda Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Newell-Fonda Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Newell-Fonda Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and a deficiency we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings as items I-A-10 and I-B-10 to be material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-C-10 to be a significant deficiency.

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bruce@frinkcpa.com

### Compliance and Other Matters

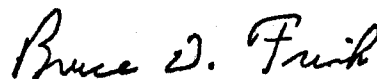
As part of obtaining reasonable assurance about whether Newell-Fonda Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Newell-Fonda Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Newell-Fonda Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Newell-Fonda Community School District and other parties to whom Newell-Fonda Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Newell-Fonda Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



BRUCE D. FRINK  
Certified Public Accountant

March 1, 2011



NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2010

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

I-A-10 SEGREGATION OF DUTIES

Comment - During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the District's financial statements. We noted that one individual has custody of receipts and performs all record-keeping and reconciling functions for the office.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

Response - We will review procedures and investigate available alternatives.

Conclusion - Response acknowledged.

I-B-10 Auditor Drafting of the Financial Statements and Related Footnote Disclosures

Comment - As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. SAS 115, an auditing standard from the American Institute of Certified Public Accountants, requires auditors to communicate this situation as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of the District's statements and footnotes, and the responsibility of the auditor to determine the fairness of the presentation of those statements. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do this with organizations of your size. However, based on this auditing standard, it is our responsibility to inform you that this deficiency could result in a misstatement to the financial statements that could have been prevented or detected by the District's management. As in prior years, we have instructed management to review a draft of the auditor prepared financial statements in detail for their accuracy, we have answered any questions they might have, and encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification and disclosure in your financial statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.

Recommendation - It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response - We feel our review of the draft financials is adequate for us to accept this risk.

Conclusion - Response accepted.

NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2010

**Part I: Findings Related to the Financial Statements:**  
(continued)

I-C-10      Financial Reporting

Comment - During the audit, we identified \$132,651 of payables in the Capital Projects Fund which were not recorded in the District's financial statements. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Recommendation - The District should implement procedures to ensure all payables are identified and included in the District's financial statements.

Response - We will double check these in the future to avoid missing any payables.

Conclusion - Response accepted.

**Part II: Other Findings Related to Required Statutory Reporting:**

II-A-10      Certified Budget - Expenditures for the year ended June 30, 2010, did not exceed the certified budget amount in any of the four functions. The District did not exceed its unspent authorized budget for the year ended June 30, 2010.

II-B-10      Questionable Expenditures - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979, were noted.

II-C-10      Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-10      Business Transactions - No business transactions between the District and District officials or employees were noted.

II-E-10      Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-10      Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.

II-G-10      Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

II-H-10      Certified Annual Report - The Certified Annual Report was certified timely to the Department of Education.

II-I-10      Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.

II-J-10      Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

**NEWELL-FONDA COMMUNITY SCHOOL DISTRICT**

Schedule of Findings

Year ended June 30, 2010

**Part II: Other Findings Related to Required Statutory Reporting:**  
(continued)

II-K-10      Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

II-L-10      Statewide sales, services and use tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax. For the year ended June 30, 2010, the District's financial activity and other required information for the statewide sales, services and use tax are as follows:

Beginning balance	\$142,677
Statewide sales, services and use tax revenue	257,690
Expenditures/transfers out:	
School infrastructure:	
Buildings	<u>400,367</u>
Ending balance	\$ <u>          -</u>

The statewide sales, services and use tax revenue received during the year ended June 30, 2010 is equivalent to a reduction in the following levies:

	<u>Per \$1,000 Of Taxable Valuation</u>	<u>Property Tax Dollars</u>
Physical Plant and Equipment Levy	\$1.00	152,487
Debt Service	<u>0.69</u>	<u>105,203</u>
	<u>\$1.69</u>	<u>257,690</u>